

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name E.U.P. Regional Planning & Development	County Chippewa
Fiscal Year End 09/30/06	Opinion Date 11/30/06	Date Audit Report Submitted to State 02/05/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

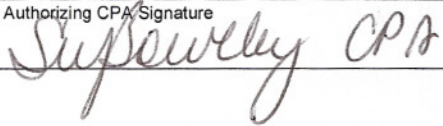
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
Zip 49788			
Authorizing CPA Signature 	Printed Name Sue A. Bowlby	License Number 1101020765	

**EASTERN UPPER PENINSULA REGIONAL PLANNING
AND DEVELOPMENT COMMISSION**

BASIC FINANCIAL STATEMENTS

September 30, 2006

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Eastern Upper Peninsula Regional Planning
and Development Commission
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities and major fund, of the Eastern Upper Peninsula Regional Planning and Development Commission as of and for the year ended September 30, 2006, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund, of the Eastern Upper Peninsula Regional Planning and Development Commission as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 30, 2006

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements.

The Commission as a Whole

The Commission's combined net assets decreased 6% from a year ago from \$128,423 to \$120,957.

In a condensed format, the table below shows the net assets of Eastern Upper Peninsula Regional Planning and Development Commission.

	Governmental Activities 2005	Governmental Activities 2006
Current Assets	\$ 164,898	\$ 199,472
Noncurrent Assets	<u>11,445</u>	<u>7,287</u>
Total Assets	<u>\$ 176,343</u>	<u>\$ 206,759</u>
Long-Term Debt Outstanding	\$ 4,588	\$ 3,631
Other Liabilities	<u>43,332</u>	<u>82,171</u>
Total Liabilities	<u>47,920</u>	<u>85,802</u>
Net Assets		
Invested in Capital Assets	11,445	7,287
Unrestricted	<u>116,978</u>	<u>113,670</u>
Total Net Assets	<u>\$ 128,423</u>	<u>\$ 120,957</u>

Eastern Upper Peninsula Regional Planning and Development Commission

Management's Discussion and Analysis September 30, 2006

The current level of unrestricted net assets for our governmental activities stands at \$113,670, or about 1% of expenditures. This is within the targeted range set by the Commission's Board of Directors during its last budget process.

The following table shows the activities of the Commission.

	Governmental Activities 2005	Governmental Activities 2006
Program Revenues		
Charges for Services	\$ 4,507	\$ 6,364
Operating Grants and Contributions	271,087	318,402
Matching	24,068	-
Other Income	1,780	-
Total Revenues	301,442	324,766
Program Expenses		
Planning/Economic Development	285,355	332,232
Asset Management	2,354	-
Total Expenses	287,709	332,232
Changes in Net Assets	13,733	(7,466)
Beginning Net Assets	114,690	128,423
Ending Net Assets	\$ 128,423	\$ 120,957

Governmental Activities

The Commission's total governmental revenues increased by approximately \$23,324, primarily due to several new grants in the current year.

Expenses increased by \$44,523 during the year. This was primarily the result of the grant expenses incurred to match the increase of revenue received.

Capital Asset and Debt Administration

At the end of 2006, the Commission had \$7,287 invested in a broad range of capital assets, including equipment. Capital acquisitions in the current year were \$0.

Long-term liabilities decreased by \$957 for compensated absences.

Contacting the Commission's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the office, by mail at 524 Ashmun Street, Sault Ste. Marie, Michigan 49783, or by phone at (906) 635-1581.

Basic Financial Statements

Eastern Upper Peninsula Regional Planning and Development Commission

Statement of Net Assets September 30, 2006

	Governmental Activities
ASSETS:	
Current Assets	
Cash and Equivalents	\$ 4,988
Due from Governmental Units	190,126
Prepaid Expenses	4,358
Total Current Assets	199,472
Noncurrent Assets	
Capital Assets, (Net of Accumulated Depreciation)	7,287
Total Assets	\$ 206,759
LIABILITIES:	
Current Liabilities	
Accounts Payable	\$ 8,066
Accrued Liabilities	19,376
Deferred Revenue	54,729
Total Current Liabilities	82,171
Long-Term Liabilities	
Accrued Compensated Absences	3,631
Total Liabilities	85,802
NET ASSETS:	
Invested in Capital Assets	7,287
Unrestricted	113,670
Total Net Assets	\$ 120,957

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Activities
For the Year Ended September 30, 2006**

		Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses			
Functions/Programs				
Governmental Activities:				
Planning / Community Development	\$ 332,232	\$ 6,364	\$ 318,402	\$ (7,466)
 Total Governmental Activities	<u>\$ 332,232</u>	<u>\$ 6,364</u>	<u>\$ 318,402</u>	
 Changes in Net Assets				(7,466)
Net Assets Beginning				<u>128,423</u>
Net Assets Ending				<u>\$ 120,957</u>

Eastern Upper Peninsula Regional Planning and Development Commission

Balance Sheet Governmental funds September 30, 2006

	<u>General Fund</u>
Assets:	
Cash and Equivalents - Unrestricted	\$ 4,988
Due from Governmental Units	190,126
Prepaid Expenses	<u>4,358</u>
Total Assets	<u><u>\$ 199,472</u></u>
Liabilities:	
Accounts Payable	\$ 8,066
Accrued Liabilities	19,376
Deferred Revenue	54,729
Due to Other Funds	<u>10,739</u>
Total Liabilities	<u>92,910</u>
Fund Balance:	
Unreserved and Undesignated	<u>106,562</u>
Total Fund Balance	<u>106,562</u>
Total Liabilities and Fund Balances	<u><u>\$ 199,472</u></u>

Eastern Upper Peninsula Regional Planning and Development Commission

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets September 30, 2006

Total Fund Balances – governmental fund	\$	106,562
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. These consist of:

Equipment and Furniture	44,665
Accumulated Depreciation	<u>(37,378)</u>

Total Capital Assets	7,287
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These consist of:

Compensated Absences	(3,631)
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Internal Service funds included with governmental activities	<u>10,739</u>
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Net Assets of Governmental Activities	<u>\$ 120,957</u>
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**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2006**

	General Fund
Revenues	
Fees and Collections	\$ 554
Federal Sources	144,263
State Sources	146,335
Local Sources	27,250
Total Revenues	318,402
Expenditures	
Planning/Community Development	325,124
Total Expenditures	325,124
Excess (Deficiency) of Revenues Over Expenditures	(6,722)
Fund Balance - October 1, 2005	113,284
Fund Balance - September 30, 2006	\$ 106,562

Eastern Upper Peninsula Regional Planning and Development Commission

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities For the Year Ended September 30, 2006

Net Change in Fund Balance – Total Governmental Funds	\$	(6,722)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$0) exceeded depreciation (\$707) in the current period. (707)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	957
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Internal Service fund activity included in governmental funds	<u>(994)</u>
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Changes in Net Assets of Governmental Activities	\$ <u><u>(7,466)</u></u>
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**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Net Assets
Proprietary Fund
September 30, 2006**

	<u>Internal Service Fund</u>
Assets:	
Due from Other Funds	\$ 10,739
Capital Assets (Net of Accumulated Depreciation)	<u>5,283</u>
Total Assets	<u><u>\$ 16,022</u></u>
Net Assets:	
Invested in Capital Assets	\$ 5,283
Unrestricted	<u>10,739</u>
Total Net Assets	<u><u>\$ 16,022</u></u>

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Revenue, Expenses, and
Changes in Net Assets - Proprietary Fund
For the Year Ended September 30, 2006**

	<u>Internal Service Fund</u>
Operating Revenue:	
Current user charges	\$ <u>6,364</u>
Operating Expenses:	
Depreciation	3,452
Supplies	<u>3,906</u>
Total Operating Expenses	<u>7,358</u>
Changes in Net Assets	(994)
Net Assets, beginning of year	<u>17,016</u>
Net Assets, end of year	<u>\$ <u>16,022</u></u>

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2006**

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Internal Activity – Payments/Receipts with Other Funds	\$ <u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Balance – Beginning of the Year	<u>-</u>
Balance – End of Year	\$ <u>-</u>
 Reconciliation of Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Changes in Net Assets	\$ (994)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,452
Change in Assets and Liabilities:	
Due from Other Funds	<u>(2,458)</u>
Net Cash Provided by Operating Activities	\$ <u>-</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eastern Upper Peninsula Regional Planning and Development Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Commission:

A – Reporting Entity:

Eastern Upper Peninsula Regional Planning and Development Commission (the “Commission”) was established by the Board of Commissioners of Chippewa, Luce, and Mackinac counties. The Commission’s purpose is to discuss and study community challenges and problems of mutual interest and concern, and to mutually develop policies and recommendations for ratification and implementation by the region’s local governments. Membership in this Commission consists of the local government of the three County area and other appointed officials.

The financial statements include all of the funds and account groups relevant to the operations of the Commission. There are no separately administered organizations that are controlled by or are dependent on the Commission; therefore, no additional organizations are included in the financial statements.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the governmental fund and proprietary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All other revenue items are considered to be available only when cash is received by the Commission.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Equipment and Furniture	3-10 years
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Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets – The Commission is not required to adopt an operating budget by law; therefore, no budgetary comparison has been included in the financial statements.

NOTE 3 - CASH AND EQUIVALENTS

At year end, the Commission's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents:	
- Unrestricted	\$ <u>4,988</u>
Total	\$ <u><u>4,988</u></u>

The breakdowns for deposits are as follows:

Bank deposits (checking and savings Accounts, certificates of deposit)	\$ <u>4,988</u>
Total	\$ <u><u>4,988</u></u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Commission has no investments for which ratings are required.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial credit risk. As of year end, none of the Commission's bank balance of \$13,442 was exposed to credit risk.

Statutory Commission:

Michigan law (Public Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**Eastern Upper Peninsula Regional Planning
and Development Commission**

**Notes to Financial Statements
September 30, 2006**

NOTE 4 - GRANTS RECEIVABLE

The following is a summary of government fund type grants/contracts receivable at September 30, 2006:

U.S. Department of Commerce	\$ 40,971
Michigan Council of Arts	1,200
Michigan Department of Transportation	119,865
State of Michigan – R-CAP/R-CAPSW	12,336
State of Michigan – CDBG	8,550
Misc./Other	<u>7,204</u>
Total	<u>\$ 190,126</u>

NOTE 5 - CAPITAL ASSETS

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments /Decreases</u>	<u>Ending Balance</u>
Assets being depreciated:				
Other capital assets:				
Furniture, fixtures & equipment	<u>\$ 44,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,665</u>
Subtotal	<u>44,665</u>	<u>-</u>	<u>-</u>	<u>44,665</u>
Accumulated depreciation:				
Furniture & fixtures	<u>(33,220)</u>	<u>(4,158)</u>	<u>-</u>	<u>(37,378)</u>
Subtotal	<u>(33,220)</u>	<u>(4,158)</u>	<u>-</u>	<u>(37,378)</u>
Net Capital Assets	<u>\$ 11,445</u>	<u>\$ (4,158)</u>	<u>\$ -</u>	<u>\$ 7,287</u>

Depreciation expense for the fiscal year ended September 30, 2006 amounted to \$4,158.

NOTE 6 – LONG-TERM OBLIGATION

The following is a summary of the Commission's long-term obligations as of September 30, 2006 and the transactions during the year then ended:

General long-term debt:

	<u>October 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30. 2006</u>
Accrued liability for vested compensated absences	<u>\$ 4,588</u>	<u>\$ 6,411</u>	<u>\$ 7,368</u>	<u>\$ 3,631</u>

NOTE 7 – DEFINED CONTRIBUTION PLAN

The Commission has established a TSA Plan under Internal Revenue Code 403(b) which covers all full time employees with permanent status who are at least 21 years of age and have successfully completed the 90 day probationary period. Employees are immediately vested in the plan. Employees may contribute up to 20% of their gross salary. The Commission matches the employee's contribution up to 10% of the employee's gross salary. For the year ended September 30, 2006, the Commission contributed \$13,672 including employee contributions of \$11,313. All employees participate in the plan and eligible wages totaled \$141,313.

NOTE 8 – CONTINGENCIES

The Commission receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination could become a liability of the applicable fund. It is the opinion of administration that any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types.

NOTE 9 – INTERFUND RECEIVABLE/PAYABLE

During fiscal 2006, various transactions occurred for computer usage resulting in the following interfund transactions:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS	
		General Fund
	Internal Service	<u>\$ 10,739</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 10 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Commission has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.



ANDERSON, TACKMAN & COMPANY, PLC
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Board of Directors
EUP Regional Planning & Development Commission
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Sault Ste. Marie, MI 49783

We have audited the financial statements of the EUP Regional Planning & Development Commission for the year ended September 30, 2006, and have issued our reports thereon dated November 30, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Commission. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of our audit, we considered the internal control structure of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the EUP Regional Planning and Development Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the EUP Regional Planning and Development Commission, either individually or in the aggregate, indicate matters that could have a significant effect on the EUP Regional Planning and Development Commission's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the EUP Regional Planning & Development Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit. We encountered no difficulties in accumulating the necessary documentation to support our financial statements.

Comments and Recommendations

Lease Agreement: The Commission does not have a current signed lease for space costs from the Community Action Agency. Federal regulations require that all rental agreements be in written form.

Status: No Change.

Cash in lieu of Health Insurance: The Commission needs to formalize its policy regarding cash in lieu of health insurance as a part of its personnel policies.

Board Directives: The Board needs to formally approve all expenditures or appoint a board member to do so on its behalf prior to any expenditure payments made. The Board also needs to formally approve any changes in check signatures on the account.

Revenues: The Commission is not separating out Federal and State revenues on the financial statements. Care must be taken to properly record revenues by source.

Cafeteria Plan: A few balances are remaining in the company cafeteria plan which should either be liquidated or reverted back to the Commission. The Commission may want to consider alternative plans for future expenses.

Conclusion

This Information is intended solely for the use of federal awarding agencies, pass-through entities and management of the EUP Regional Planning & Development Commission and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 30, 2006